

**Top Secret**

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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday 26 October 1977 CG NIDC 77/248C

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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Wednesday, 26 October 1977.

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The NID Cable is for the purpose of informing senior US officials.

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# PANAMA: Post-Plebiscite Prospects

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[REDACTED] //The government's two-to-one margin of victory in Sunday's plebiscite on the Panama Canal treaties was on the low side of pre-balloting estimates and is likely to spur the opposition to increase its political activity. Chief of Government Omar Torrijos' flurry of last-minute speechmaking and interviews, while balanced on the whole, contained the seeds of further controversy regarding treaty provisions.//

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[REDACTED] //Leaders of the Independent Lawyers Movement--which led opposition to the treaty--as well as treaty negotiator de la Rosa have already noted that the size of the negative vote could lead to renewed political activity. The Liberal Party, one of the two major factions before Torrijos seized power in 1968, may be preparing a constitutional challenge to the government's nine-year-old ban on party activities. The Liberals' last-minute support for the treaties was designed, at least in part, to prompt the government into allowing them greater political latitude after the plebiscite.//

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[REDACTED] //The election of Panama's large unicameral legislature is scheduled for next year, and the political parties hope to be able to renew their activity. Although the legislature has been little more than a rubber stamp for Torrijos, it does choose the president. Panama's politicians now recognize that it is the country's only legitimate political forum.//

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[REDACTED] //Sometime next year General Torrijos must decide whether to seek the presidency or revalidate his extensive special powers as chief of government. In all likelihood, Torrijos has not yet made a final decision.//

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[REDACTED] //The plebiscite vote does not provide a clear indication of the extent of Torrijos' opposition or support. Panamanians who voted "no" included not only those opposed to the treaties, but also those who were voting against the General, against prevailing economic conditions, or perhaps even against the Americans leaving.//

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[REDACTED] //The treaties appear to have run into the heaviest opposition in the city of Colon, where unemployment has hit the hardest, and in Panama City, where anti-Torrijos sentiment among students and ultranationalists also played a part.

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The heaviest pro-treaty vote came from the General's home province. The relatively free vote reflects the regime's considerable confidence both in the outcome of the vote and in its ability to handle rekindled political interests.//

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[ ] //Torrijos' speeches and interviews during the days just before the vote will provide some grist for opponents of the treaty. In interviews, he warned of violence if the treaties were rejected in the US; he has usually played down this possibility in public speeches--a standard Torrijos inconsistency. In his address to the nation last Thursday, during which he read the text of the recent US-Panama statement on neutrality and expeditious passage, Torrijos nonetheless gave the impression that the US defense role could be exercised only at Panamanian initiative.//

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[ ] //Torrijos' remarks--not surprising given the domestic political context--are unlikely to be the last in this vein. In a post-plebiscite interview, negotiator de la Rosa noted again that "the treaties are ambiguous--where we read black, they will read white." In his first public comment on the treaties, former Foreign Minister Boyd--who lost his job earlier this year--called the neutrality treaty a legal absurdity that a future government should try to correct through recourse to the UN. [ ]

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#### ITALY: Foreign Policy Agreement

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[ ] *A resolution presented in the Italian Senate last week marks the first formal agreement in the foreign policy area between the governing Christian Democrats and the five parties--including the Communists--that support Prime Minister Andreotti indirectly by abstaining in parliament.*

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[ ] The resolution was introduced at the end of a routine foreign policy debate by representatives of the six parties. The document is cast in general and noncontroversial terms. It supports, for example, a full discussion of European security and cooperation issues at Belgrade, direct elections to the European Parliament, the further integration of Western Europe, and an equitable solution in the Middle East.

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25X1 [redacted] The document's significance lies more in its existence than its substance. During the three months of negotiations that led to the government program agreement reached by the same six parties last summer, the Christian Democrats successfully resisted Communist efforts to include foreign policy in the accord. The Christian Democrats stressed the limited and emergency nature of that agreement--it focused mainly on economic policy and public order issues. By excluding foreign policy, they sought to emphasize that the accord was not a general political agreement among the parties.

25X1 [redacted] The Communists, however, are citing the Senate resolution as evidence that foreign policy is now part of the six-party agreement and therefore subject to negotiation. They assert, moreover, that the resolution merely formalized a situation that already existed; the Communists have said for some time that their acceptance of Italian membership in NATO and the EC has helped create a broad consensus on the main lines of Italian foreign policy.

25X1 [redacted] //The Christian Democrats have not yet responded  
25X1 formally to the Communists' interpretation of the document.  
[redacted]

25X1 [redacted] //The Communists' interpretation of the resolution does not presage an attempt by the party to alter the main lines of Italian foreign policy in the near future; for now the party's goal is simply to establish a position for itself in the formal foreign policy process. Its stress on the importance of the resolution is probably also a trial balloon to see if the Christian Democrats are ready to accept in principle the idea of greater Communist involvement in the foreign policy sphere.// [redacted]

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FRANCE: Left Showing in Polls

25X1 [REDACTED] *The rift in the French Left Alliance has not lessened the popular appeal of the Socialist Party nor seriously damaged the image of its leader, Francois Mitterrand. Polls conducted early this month show, in fact, that 49 percent of those interviewed believe that the Socialists' chances in the election next March have been enhanced by the steadfast image they have projected in their squabble with the Communists over updating their Common Program.*

25X1 [REDACTED] Mitterrand still has the esteem of a large majority of the French. In one poll only 19 percent thought less of him now than they did before the breakdown in the negotiations, and these apparently are primarily Communist voters. Fifty percent of Socialist voters said that the "crisis in the Left" would not change their vote; 25 percent said that it would make it easier for them to vote Socialist.

25X1 [REDACTED] The Socialist Party continues to be perceived as the party most capable of assuring good economic performance, protecting public liberties, and reducing social inequalities. Voters ranked the Gaullists extremely low on these three issues.

25X1 [REDACTED] Even so, those polled see Mitterrand's chances of coming to power and his ability to maneuver as reduced. This response reflects a recognition that the Socialists need Communist support on the crucial second ballot of the election in order to gain the seats that could enable them to emerge as the largest party in the Assembly.

25X1 [REDACTED] There were some surprises in the responses of Communist voters. Despite the drumbeat of Communist propaganda accusing Mitterrand and the Socialists of "swinging to the right," only 17 percent of Communists voters believe that the Socialists are in fact seeking an accommodation with the parties in the governing coalition; 62 percent of the Communists believe that the Socialists are seeking a reconciliation with them.

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[REDACTED]

[REDACTED] Even if the Left eventually signs an electoral accord, 68 percent of the French believe that the situation within the Left has irrevocably changed. The dimensions of this change are not clear to the voters. But the fact that more people now view Mitterrand as closer to President Giscard than to Marchais-- and realistically or not expect a Socialist-Giscardian coalition in the event of a Left victory--indicates how fluid the political situation has become. [REDACTED]

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#### WEST GERMANY: Economic Stimulation

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[REDACTED] Early legislative approval in West Germany of a \$6 billion economic stimulation program appears virtually certain. A joint parliamentary committee last week agreed on a compromise tax package that has the support of financial spokesmen in all political parties. The lower house is expected to pass the program today, and approval by the upper house is expected at its session on 4 November.

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[REDACTED] The tax compromise includes an increase in the basic personal tax exemption, reducing the annual tax liability of single taxpayers by \$20 and that of married couples by \$40. It also provides for a deduction from taxable income that lowers the annual tax liability of single taxpayers by \$50 to \$125 and that of married couples by \$100 to \$250.

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[REDACTED] The noncontroversial provisions of the stimulation program include an increase in the tax-exempt portion of Christmas bonuses, a liberalization of depreciation allowances on business assets, and a \$1.3 billion increase in 1978 expenditures by federal, state, and local governments.

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[REDACTED] The \$6 billion program increases the prospects for reaching the government's 4.5-percent GNP growth target for 1978. Its final effect, however, depends on the willingness of cautious West German consumers and businessmen to spend the extra money left them by the tax collector. State and local

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governments, moreover, may not follow through as strongly as hoped with additional expenditures.

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#### CHINA: Fertilizer Plant Problems

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*[redacted] //China is not fully utilizing the recent growth in its fertilizer production capacity because of continuing technical difficulties. If these problems persist, China's fertilizer output could fall well short of the ambitious 1980 target of 60 million to 70 million tons.//*

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*[redacted] In 1976, political unrest and earthquake damage combined with various technical problems--mainly a lack of maintenance and poor operator control--to depress fertilizer output. Despite a reported 27-percent boost in output during the first eight months of this year, China's newly installed fertilizer plants remain underutilized. Six of the new ammonia-urea complexes--which are among the world's largest--apparently produced only about half of their potential output of 5 million tons during the January to August period.*

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*[redacted] In recent years, China has purchased 13 giant fertilizer complexes from the US, Japan, France, and the Netherlands. Six of the plants are currently in operation and five more are scheduled to begin production next year. The remaining two will not come on stream until at least 1979. These plants may be modified to use naphtha feedstock instead of natural gas because of a delay in the construction of the natural gas pipeline originally intended to service the plants.* *[redacted]*

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#### UN - SOUTH AFRICA: Sanctions

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*[redacted] //African delegates at the UN Monday called on the Security Council to apply mandatory economic sanctions and an arms embargo against South Africa. The Africans left no doubt that after last week's crackdown on dissidence by the South African Government they will no longer find palatable "mere condemnations" of South Africa.//*

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*[redacted] //The coordinating bureau of the nonaligned states--which purports to represent 86 members of the UN--on Friday called for a time limit to the Western states' negotiations with South Africa over the future of Namibia. It also advocated mandatory sanctions and an arms embargo against Pretoria should the deadline not be met.//*

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[ ] //Delegates of the five current Western members of the Security Council--the UK, France, West Germany, Canada, and the US--caucused after yesterday's Council meeting. As in the case of the public debate, the US was the focal point; the other Western states expressed particular concern over the need for time should the US be willing to go much beyond past Security Council statements on South Africa.//

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[ ] //UK delegate Richard said his government could probably agree to "something on arms and investments" but indicated that the UK would veto any resolution calling for mandatory economic sanctions. The Canadian and West German delegates said that their governments would have constitutional problems with a resolution calling for restrictions on investments in South Africa.//

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[ ] //The Security Council will reconvene Tuesday to continue its discussion of the situation in South Africa.

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## BRIEFS

## Australia

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[ ] //Australian Prime Minister Fraser on Monday confirmed speculation that he will call an early election, probably in December or next spring.

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[ ] //The Fraser government, elected two years ago with a record parliamentary majority, is not obliged to hold an election until early in 1979. It realizes, however, that the depressed economic situation is unlikely to improve significantly over the next year.//

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[ ] //By moving now on the election, moreover, Fraser is capitalizing on public approval of his decision, announced in August, to allow the mining and export of uranium--fought by the Labor Party opposition. He is also taking advantage of public annoyance over disruptive strikes by Labor Party-supported trade unions.

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El Salvador

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[ ] // [ ] told the US Defense Attache in San Salvador that a group within the Salvadoran Government is preparing to stage a spectacular terrorist act, possible directed against US officials, to occur around the time of the arrival of new US Ambassador Devine today. The Machiavellian purpose of the government group--allegedly close to President Romero--is to demonstrate the serious subversive threat facing the government so the US will provide greater aid.//

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[ ] //Rumors of involvement in terrorist actions by disgruntled military officers, perhaps in collusion with extremists among the wealthy rightist elite, have persisted in El Salvador for the last year. The two groups have been dissatisfied with Romero's failure to take firm action against leftist terrorism. While these stories are unsubstantiated and the latest plot to be reported seems unlikely, both groups are capable of such action. [ ]

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Egypt

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[ ] Egyptian President Sadat last night made public his cabinet shake up, in which the key members of the outgoing government--Prime Minister Salim, Planning Minister Qaysuni, Foreign Minister Fahmi, and War Minister Gamasy--were retained in their posts. Sadat named seven new ministers, but the changes appear to be largely cosmetic and designed to reduce popular frustrations by fostering the impression that Sadat is assembling a team better able to deal with pressing economic problems and the Middle East peace negotiations.

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[ ] Recent articles in *Al-Ahram* had implied that Salim would continue as Prime Minister despite his lack of personal popularity and his generally poor performance in running the government and in leading Sadat's centrist party in the Egyptian Parliament. He did lose his post as Interior Minister, however, reflecting Sadat's disappointment over Salim's failure to contain the recent upsurge in extremist activity by both the right and the left in Egypt. [ ]

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